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NYNEX

December 5, 1996

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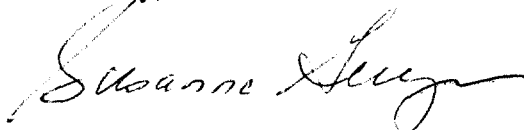
Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, NW  
Room 222  
Washington, DC 20554

Re: Universal Service; CC Docket 96-45

Dear Mr. Caton:

On December 4, Mr. G. R. Evans and I, representing NYNEX, met with Mr. D. Gonzalez, Legal Advisor to Commissioner Chong. Among the topics discussed by the NYNEX representatives were the recent Universal Service Joint Board recommendations. The attached charts were used during the discussion.

Sincerely,



cc: D. Gonzalez



NYNEX Recycles

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# Joint Board Recommendations

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## ■ Proxy Model

- The ultimate model adopted by the FCC should include geographically defined areas that are consistent with the geographic areas used for unbundled elements, access, and retail rates.
- Inconsistent geographic areas will result in arbitrage.

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# Linkage between Universal and Network Elements

**Price = Network Elements plus Retail Costs**

Elements =      Loop  
                         Port  
                         Local Switching (500-700 MOUs)  
                         Transport and Terminating Access  
                         Access to E911, Operator Services  
                         and Directory Assistance

s =                      State Approved \$ per line to  
                         Cover Customer Care Costs for  
                         Basic Service

## ***Example of inconsistent deaveraging of Universal Service support and unbundled elements.***

UNBUNDLED ELEMENTS		
Zones	Areas	Average BCM2 Cost/Month*
1	Rural	\$38.42
2	Rural/Suburban	\$25.38
3	Suburban	\$22.04
4	Urban	\$20.12

*\*Assume retail costs of \$4.00/month*

UNIVERSAL SERVICE COSTS		
<i>Range of costs for individuals wire centers within Zone 1:</i>		
Wire Centers	Cost/ Month	Line Served
MILTON	\$23.98	12,415
ROME	\$26.78	27,951
GREENFIELD CENTER	\$48.91	4,914
BRAINARDSVILLE	\$124.70	1,010
ST. REGIS FALLS	\$122.92	1,251
PUTNAM	\$149.54	482

***Gaming Opportunity: target high cost wire centers within a zone.***

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## There is Important Linkage Between Unbundled Network Elements and USF Support:

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- Geographical deaveraging should be the same.
- For Universal Service Costing, Joint Board should specify reasonable number of zones in state (2-4)
  - Urban
  - Suburban
  - Rural
- Wire Center, Census Block Group -- administrative nightmare

# Joint Board Recommendations

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## CCL Proposal

- NYNEX agrees with proposal to take CCL and apply on a flat-rated, presubscribed line basis to IXCs if:
  - End user no-PICs an IXC, end user pays per line charge.
  - IXCs can pass on to end user as a flat rated charge, if desired.

# Joint Board Recommendations

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## Concerns:

### ■ Cost Recovery

- Not addressed in the Joint Board's recommendation
- Customer "surcharge" most reasonable mechanism

### ■ Method of calculating carrier payments

- NYNEX proposal use of retail revenues less basic residence local service revenues
- Joint Board proposal results in disproportionate burden on LECs

# Funding the USF

Method	Industry (%)			NYNEX
	LEC	IXC	Other	
Retail Revenue Less Residence Local	38	50	12	4.9
Retail Revenues	47	43	10	6.1
Gross Revenue Less Carrier Payments	63	25	12	7.8

If Total Fund = \$8 Billion  
NYNEX Share \$400 - \$600 Million

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